

Wholesale Energy Risk Management Resolution

Date of this Brief	May 4, 2012		
Supersedes	Resolution 31230		
Key Contacts	Name(s)	Phone	Short Title
	Brian Brumfield	4-4649	Interim CFO
Council Action Required?	Y	If YES, within the next 3 months?	Y
Public Hearing Required?	N		
Presenters (if applicable)	Brian Brumfield, <i>Interim CFO, Financial Services Business Unit</i> Raman Vishwanathan, <i>Risk Oversight Director</i>		

Summary Statement

The legislation adopts an amended policy document for wholesale energy risk management.

Background

In order to provide electricity to its customers economically, Seattle City Light routinely buys and sells wholesale energy products. Transacting in wholesale energy markets necessarily exposes Seattle City Light funds to risk, including market and credit risks. A Wholesale Energy Risk Management Policy mitigates these risks. The policy is reviewed annually by Seattle City Light. Recommended updates are brought before the Council for adoption through a resolution.

Key Issues

Issues addressed in this update of the Wholesale Energy Risk Management Policy include:

- Clarification allowing for the purchase of physical calls and puts;
- Requirement of employees to immediately report potential non-compliance with the Wholesale Energy Risk Management Policy;
- Requirement of hedging plans to conform to the risk limits in the Policy;
- Establishment of the conditions under which forward sales for any future calendar quarter are to be suspended; and
- Reduction of the amount of the Risk Tolerance Band for the current calendar year and the prompt year.

Next Steps

Present to the Council a resolution adopting the latest updates of the Wholesale Energy Risk Management Policy.